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Hearing on quotas for burley draws lively exchange

By PHIL NORMAN
Courier-Journal Farm Editor

LEXINGTON, Ky. — A 5 percent cut in next year's burley-tobacco quotas seemed almost certain yesterday after a spirited exchange of views amoung groups involved in the troubled burley market.

Burley farmers and warehousemen were all but unanimous in calling for a 5 percent cut in marketing quotas, which amount to burley-growing rights granted to farm owners by the federal government.

The plea for less burley came at a hearing called by the U.S. Department of Agriculture, which must set 1983 quotas by Feb. 1.

Some farmers said a cut of more than 5 percent is needed to end a supply glut that has been holding down burley prices. They suggested a drive to change a federal law that limits quota cuts to 5 percent a year.

The hearing drew about 170 people, including some disgruntled farmers, to the E.S. Good Barn at the University of Kentucky.

Many of the growers were unhappy with the USDA for raising burley quotas by a total of more than 10 percent in 1981 and 1982. And they were displeased with tobacco buyers who favored the increases, which have been blamed for this year's overproduction.

Spokesmen for buying groups took a soft line at yesterday's hearing, making only indirect suggestions that quotas be left alone or cut by less than 5 percent in 1983.

USDA officials made it clear that a 5 percent cut is in the works. Even with such a cut, the burley surplus would be expected to grow larger in 1983, said Robert Miller, a USDA economist.

And Miller left little doubt that burley support-price increases will be trimmed again in 1983. He said the 1983 support average could be about $1.84 a pound. That average would be $1.95 a pound if it weren't for a de-escalation process started this year by USDA, he said.

The support-price cuts were prompted by the supply glut.

Under the support program, government loans are made to farmers whose burley isn't purchased by tobacco companies at prices above the supports. The passed-over burley is stored in a price-support "pool." And the loans are paid off when the pooled leaf is sold, perhaps years later, on the open market.

Loans already have been made on about 150 million pounds of a huge 1982 crop, and the figure could pass 200 million pounds by the end of the selling season.

Afraid of losing money on its loans, the government not only has been curbing support prices but also requiring farmers to pay into a fund to cover any losses.

Spokesmen for farm groups argued that none of this would have been necessary if the USDA hadn't raised burley marketing quotas to overcome a recent shortage of burley.

Henry West, a Garrard County farmer and president of the Burley Farmers Advisory Council, said the shortage was a temporary problem caused by bad weather. He said no quota increases were needed in 1981 and 1982.

"Because of all the nongrower appeals for a larger burley crop, we got a quota increase both years," West said. "So we farmers proceeded to produce this bumper crop to satisfy the needs of the industry."

"While this 1982 crop was still in the field ... the forecast changed from a shortage to a surplus," West said. "How convenient for the buying segment of the burley industry. How unfortunate for the farmer."

A similar statement came from the Kentucky Farm Bureau.

When the USDA sets quotas too high, only the buyers benefit, the Farm Bureau said. "Buyers can stand back and let any amount go into pool stocks, knowing that the growers are liable for the cost of any (USDA) mistakes, accidental or intentional."

Excessive deductions from farmers' tobacco checks "could bring on grower unrest," the statement said.

In a move to bolster prices and forestall any new penalties on farmers, the advisory council and the Farm Bureau went on record in favor of a 5 percent quota cut.

The same recommendation was made by Kentucky Agriculture Commissioner Alben Barkley, the Burley Auction Warehouse Association and the Burley Tobacco Growers Cooperative Association.

Joe McDaniel, president of the co-op, which handles the burley pool in Kentucky and Indiana, was among those suggesting that the law be changed to permit a larger cut.

When farmers grow excessive burley crops, their quotas automatically go down the next year. But Miller said those adjustments won't be sufficient to end the current surplus.

This year's quota in the eight-state burley belt is 778 million pounds. The crop is estimated at 769 million pounds, about two thirds of which is grown in Kentucky.

In the absence of a basic cut, next year's quota will be 710 million pounds, Miller said. With a 5 percent cut, the quota will be 676 million pounds and the actual crop perhaps 640 million pounds, he said.

Given sluggish tobacco markets and rising imports of inexpensive foreign leaf, even the lower figures could leave U.S. burley stockpiles well above desirable levels, Miller said.

The Burley Leaf Tobacco Dealers Association asked for a quota that will produce 650 million pounds of burley. Philip Morris USA simply called for adequate supplies. And the Tobacco Growers Association of North Carolina Inc., worried about rising burley prices, asked for a price-support freeze with no change in quotas.

Staff Photo by Stewart Bowman

James Sharp, an outspoken retired burley warehouseman from Fayette County, was among those who attended a USDA hearing yesterday in Lexington on burley quotas.

PSC wan on gas ut to classif

By JEAN PETERS
Courier-Journal Business Writer

The Kentucky-West Virginia Co., wants to have about 1,500 producing wells drilled in Ea Kentucky during the 1930s to early 1970s classified as Dev Shale wells, allowing gas prod from them to be sold on on un lated basis.

The Kentucky Public Se Commission yesterday called f public hearing to have the u "clearly state its intentions and fications" for the request.

In the meantime, some Kent West Virginia Gas Co. custo staged a protest earlier this over gas bills that more than bled over the past month as a r of interim rates the company begun charging.

Company officials say they have to begin refunding some o higher rates they began chargin gas transmitted after Nov. 1. T because the Federal Energy mission, which regulates the utility's rates, said that the com couldn't charge the higher p until it made a general rate incr request.

But Kentucky-West Virginia Co. officials said that a ruling b 5th U.S. Circuit Court of Appeal spring involving another utility them the right to put the hi prices into effect.

As a result of the New Or appeals court ruling, the com put a new rate into effect Oct. $3.08 for a dekatherm of ga which equals 1,000 cubic feet o that contains 1,000 British the units of heat energy.

That rate was increased agai Nov. 1 to $3.46, according to mond Stewart, vice president general manager of the compa

Before instituting the new schedule, Kentucky West-Vir Gas was charging approxim $1.45 for the same unit of gas, art said.

Under the federal Natural Policy Act of 1978, wells clas under certain categories that ar pected to have extremely high

Delta Gas too high,

Associated Press

FRANKFORT, Ky. — The Public Service Commission granted just half of Delta Na Gas Co.'s request for a $2.2 mi annual rate increase.

The regulatory agency also the unusual step of refusing to p the utility firm to make custo

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